

would cause no interruption in service to customers. No existing service would be discontinued, reduced or impaired as a result of the sale of these assets. Furthermore, this transaction will not affect rates for any services being provided to customers in the sixteen markets.¹

In accord with Section 63.04 of the Commission's rules, KMC and CenturyTel Acquisition submit the following information:

A. Request for Expedited Consideration

Immediately following the proposed transaction, customers of KMC will continue to receive services under the same rates, terms and conditions as those services are presently provided. KMC and CenturyTel Acquisition urgently need to complete the proposed transaction described below on or before June 30, 2005. Accordingly, we respectfully request that the Commission approve this application as expeditiously as possible in order to allow CenturyTel Acquisition and KMC to consummate the proposed transaction by that date.

B. Information Required by Section 63.04 of the Commission's Rules, 47 C.F.R. § 63.04

1. Name, Address and Telephone Number of Each Applicant:

Transferors:

KMC Telecom LLC
KMC Telecom II LLC
KMC Telecom III LLC
KMC Telecom of Virginia, Inc.
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
(908) 470-2100

Transferee:

CenturyTel Acquisition LLC
100 CenturyTel Drive
Monroe, LA 71203
(318) 388-9000

¹ In a related transaction, KMC has agreed to sell similar assets in 21 additional markets to Telcove, Inc. After these transactions close, KMC will continue to provide certain circuit-switched and IP wholesale data services to carriers and large enterprise customers.

2. Government, State, or Territory under the Laws of which Each Corporate or Partnership Applicant is Organized:

KMC I, KMC II, and KMC III are all limited liability companies organized under the laws of the State of Delaware. KMC Virginia is a corporation formed under the laws of the Commonwealth of Virginia.

CenturyTel Acquisition LLC is a limited liability company organized under the laws of the State of Louisiana.

3. Legal Counsel to Whom Correspondence Concerning the Application Is To Be Addressed:

For Transferor:

Brad E. Mutschelknaus
Melissa S. Conway
Kelley Drye & Warren LLP
1200 19th Street, NW, Suite 500
Washington, DC 20036
(202) 955-0600

Copy To:

Marva Brown Johnson
KMC Telecom Holdings, Inc.
1755 North Brown Road
Lawrenceville, Georgia 30043
(678) 985-6220

For Transferee:

Richard R. Cameron
Manu Gayatrinath
Latham & Watkins LLP
555 Eleventh Street N.W., Suite 1000
Washington, D.C. 20004
(202) 637-2200

Copy To:

Stacey W. Goff
Senior Vice President, General Counsel & Secretary
CenturyTel, Inc.
100 CenturyTel Drive
Monroe, Louisiana 72103
(318) 388-9000

4. Name, Address, and Percentage Ownership of Entities that Own At Least 10 Percent of the Equity of the Applicant:

For Transferors:

KMC I, KMC II, KMC III, and KMC of Virginia are all wholly-owned by KMC Telecom Holdings, Inc., 1545 Route 206, Suite 300, Bedminster, New Jersey 07921, a Delaware corporation.

For Transferees:

CenturyTel Acquisition LLC is a direct, wholly-owned subsidiary of CenturyTel, Inc., 100 CenturyTel Drive, Monroe, Louisiana, 71203, a Louisiana corporation. The equity of CenturyTel, Inc. is widely held and publicly-traded on the New York Stock Exchange under the symbol "CTL." No individual or entity directly or indirectly owns 10 percent or more of the equity of CenturyTel, Inc.

5. Certification Pursuant to Sections 1.2001 through 1.2003 that No Party to the Application Is Subject to Denial of Federal Benefits:

By their signatures below, the Transferor and Transferee certify that no party to this application is subject to a denial of Federal benefits pursuant to section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 853.

6. Description of Transaction

On February 2nd, 2005, KMC entered into a purchase agreement (the "Purchase Agreement") with CenturyTel Acquisition, under which KMC would transfer to CenturyTel Acquisition the assets identified in the agreement, including almost 1000 route miles of lit fiber optic metropolitan area network facilities, associated telecommunications switching equipment, customer accounts, employees, accounts receivable, inventory, intellectual property, and real property interests, in sixteen second- and third-tier markets. In addition, CenturyTel Acquisition

will also acquire a network operations center (“NOC”) in Huntsville, Alabama that supports multiple markets. CenturyTel Acquisition will also acquire the right to, at its option, change its name to “KMC Telecom III LLC” and to use the KMC Access Carrier Name Abbreviation (“ACNA”) code. In consideration for these KMC assets, CenturyTel Acquisition will pay to KMC \$65,000,000, subject to purchase price adjustments at the time of closing.

The parties anticipate that this transaction will be transparent to KMC’s customers. The proposed transfer of KMC’s assets to CenturyTel Acquisition would cause no interruption in service to customers. No existing service would be discontinued, reduced or impaired as a result of the transfer of these assets. Furthermore, this transaction will not affect rates for any services being provided to customers in the sixteen markets.

7. Description of the Geographical Areas in Which the Transferor and Transferee (and their Affiliates) Offer Domestic Telecommunications Services, and What Services Are Provided in Each Area:

Although CenturyTel, Inc. and KMC serve markets in the same regions, there is no geographical overlap between CenturyTel, Inc. and the KMC assets CenturyTel Acquisition would acquire in this transaction.

KMC is a competitive local exchange carrier (“CLEC”) providing a full range of telecommunications information services to carriers and enterprise customers. These services include local exchange, interexchange, switched and special access services, data transmission, and Internet access. Under the terms of the Purchase Agreement, CenturyTel Acquisition would acquire KMC’s assets in the following sixteen markets: (i) Ann Arbor, Michigan; (ii) Baton Rouge, Louisiana; (iii) Chattanooga, Tennessee; (iv) Corpus Christi, Texas; (v) Eden Prairie, Minnesota; (vi) Fort Wayne, Indiana; (vii) Huntsville, Tennessee; (viii) Lansing, Michigan; (ix) Long View, Texas; (x) Madison, Wisconsin; (xi) Biloxi/Gulfport, Mississippi; (xii)

Montgomery, Alabama; (xiii) Topeka, Kansas; (xiv) Akron, Ohio; (xv) Dayton, Ohio; and (xvi) Toledo, Ohio.²

In addition, KMC provides nationwide customized telecommunications services, primarily consisting of data transmission and termination services, to interexchange carriers, wireless service providers, Internet service providers, utilities, and cable multiple system operators (MSOs). KMC, through KMC Telecom V, Inc. and KMC Data LLC, wholly-subsidiaries of KMC Telecom Holdings, Inc., will continue to provide these services after the CenturyTel and Telcove transactions close. KMC Telecom V, Inc. and KMC Data LLC collectively currently provide services in Alabama, Arkansas, Arizona, California, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Michigan, Minnesota, Missouri, Mississippi, Montana, North Carolina, Nebraska, New Jersey, New Mexico, Nevada, New York, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, Wisconsin, West Virginia, and Wyoming.

CenturyTel, Inc. through its subsidiaries, is a leader in providing integrated communications services to rural markets. CenturyTel, Inc. provides a variety of high quality communications services, including local exchange services as an incumbent LEC to over 2.4 million access lines, long distance services to over 1 million customers, and dial-up and high-speed DSL Internet access services to approximately 300,000 customers, in twenty-two states.

² In a related transaction, Telcove, Inc., another CLEC, is acquiring similar assets from KMC in the 21 remaining markets, namely: Augusta and Savannah, Georgia; Columbia, Charleston and Spartanburg, South Carolina; Daytona Beach, Ft. Myers, Greater Pinellas, Melbourne, Pensacola, Sarasota and Tallahassee, Florida; Fayetteville, Greensboro, Hickory, Wilmington and Winston-Salem, North Carolina; Hampton Roads and Roanoke, Virginia; Bethesda/Frederick/Rockville, Maryland; and, Bristol/Johnson City/Kingsport (Tri-Cities), Tennessee.

These states are: Alabama, Arizona, Arkansas, Colorado, Indiana, Iowa, Louisiana, Michigan, Mississippi, Missouri, Montana, Nevada, Ohio, Oregon, Tennessee, Wisconsin and Wyoming. No subsidiary of CenturyTel, Inc, however, provides local exchange service in any of the geographic areas where the KMC assets that are the subject of this transaction are located.

In addition, CenturyTel, Inc., through its affiliates CenturyTel Solutions LLC and CenturyTel Fiber II LLC (collectively, "Lightcore"), offer a full suite of competitive local, long distance, and data services to enterprise customers in Monroe and Shreveport, Louisiana, and wholesale bandwidth transport services to telecommunications carriers and service providers, using its fiber optic transmission network totaling more than 10,000 route miles across 15 states in the central United States. These long-haul fiber optic transmission lines in many cases complement the fiber optic metropolitan area networks of KMC that are the subject of this transaction.

Attachment A is a map which shows the existing networks of CenturyTel, Inc.'s local exchange and competitive subsidiaries and KMC.

8. Eligibility for Streamlined Processing:

The application is eligible for presumptive streamlined treatment under section 63.03(b)(2)(ii) of the Commission's rules.³ As described in that rule, the Commission has found that a proposed transaction will be presumptively eligible for streamlined processing if (1) the transaction would result in a transferee having a market share in the interstate, interexchange market of less than 10 percent; (2) the transferee would provide competitive telephone exchange services (if at all) exclusively in geographic areas served by a dominant local exchange carrier that is not a party to the transaction; and (3) the applicants are a dominant carrier and a non-

³ 47 C.F.R. 63.03(b)(2)(ii).

dominant carrier that provides service exclusively outside the geographic area where the dominant carrier is dominant.

The transaction proposed in this application fit these criteria precisely. *First*, CenturyTel Acquisition and KMC, taken together, would have a market share in the interstate, interexchange marketplace considerably below 10 percent. *Second*, KMC currently provides competitive local exchange service in markets served by dominant local exchange carriers that are not party to this transaction, chiefly affiliates of SBC and BellSouth. *Third*, as discussed above, there is no geographic overlap between CenturyTel, Inc.'s ILEC service territory and the facilities it would acquire from KMC, and none of the facilities being acquired are used to provide service within CenturyTel, Inc.'s ILEC service territory. As the Commission has held, "with respect to transfers of control involving dominant carriers, we are less concerned about the likelihood of public interest harms occurring as a result of a merger with a carrier that operates outside of a dominant carrier's region than we are about the likelihood that public interest harms might occur as a result of a merger with a carrier that operates within the dominant carrier's region."⁴

9. Other Commission Applications Related to the Same Transaction:

The proposed transaction would result in the transfer to CenturyTel Acquisition of KMC's customer base in the sixteen markets that are the subject of this transaction. Therefore, CenturyTel Acquisition will file the required certification of compliance with Section 64.1120(e)(3) of the Commission's rules.

KMC holds no Title III licenses for the use of radio spectrum.

⁴ *Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, 17 FCC Rcd 5517 ¶ 31 (2002) ("Streamlining Order").

KMC III holds international resold and facilities-based Section 214 authority pursuant to authority granted by the Commission in File Nos. ITC-214-19980211-00101 and ITC-ASG-20030708-0378. CenturyTel and its affiliates already hold authority from the Commission to provide global resold international telecommunications services, granted in File No. ITC-214-19990224-00099 and, as such, transfer of the KMC license is not at issue in this application.

10. Statement Whether the Applicants Are Requesting Special Consideration because Either Party to the Transaction is Facing Imminent Business Failure:

The parties are not requesting special consideration of this application.

11. Identification of Any Separately-Filed Waiver Requests Being Sought in Conjunction with the Transaction:

No such waiver requests are being filed.

12. Statement of How the Transaction Will Serve the Public Interest, Convenience, and Necessity, Including Any Additional Information that May Be Necessary to Show the Effect of the Proposed Transaction on Competition in Domestic Markets:

The proposed transaction would serve the public interest, convenience, and necessity. *First*, the transaction will give customers served by KMC's metropolitan area network facilities access to the complementary, extensive regional long-haul fiber optic network operated by CenturyTel, Inc.'s affiliate, Lightcore. Lightcore's network covers more than 10,000 route miles spanning 15 states in the central United States, connecting points in or near many of the markets in which KMC's facilities are located. The integration of KMC's metropolitan area network assets into CenturyTel, Inc.'s existing networks will redound to the benefit of both carriers' customers.

Second, the transaction will strengthen competition in the sixteen markets covered by this transaction. This acquisition would put CenturyTel, Inc.'s managerial, technical, and

financial resources to work to ensure continued delivery and improvement of the services provided to KMC's customers. CenturyTel, Inc. specializes in providing service in rural and small urban markets, chiefly in the central and northwestern United States. CenturyTel, Inc. continues to be a leader in providing reliable, high-quality services to its residential, business, and carrier customers alike. Its investment in competitive facilities in KMC's markets reflects CenturyTel, Inc.'s strengthening commitment to becoming one of the region's premier telecommunications providers to carriers and end user customers alike.

Third, the proposed transaction is expected to enhance competition in the affected markets by introducing Transferee or expanding its presence as a viable competitor. At the same time, the transaction will allow KMC to continue the on-going restructuring of the company's operations and continue to implement its business strategies using its new national IP/MPLS network.

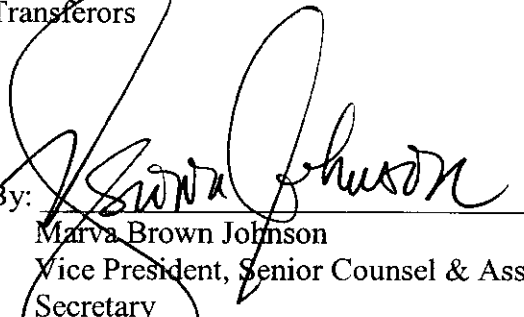
Fourth, there will be no countervailing public interest harms. The planned sale will have no known immediate or substantial adverse effect on the service provided to customers in these exchanges. The transaction will cause no interruption in service to customers and no existing service will be discontinued, reduced or impaired as a result of this sale. There is no overlap between the KMC facilities being acquired and CenturyTel, Inc.'s incumbent LEC service territory and, as a result, there will be no reduction in the number of competitors or the level of competition as a result of this acquisition.

* * * * *

For the foregoing reasons, the applicants respectfully request that the Commission approve the proposed transfer of control through the sale of assets will serve the public interest, convenience and necessity. The Commission should therefore grant this application.

Respectfully Submitted,

KMC TELECOM LLC
KMC TELECOM II LLC
KMC TELECOM III LLC
KMC TELECOM OF VIRGINIA, INC.
Transferors

By: 
Marva Brown Johnson
Vice President, Senior Counsel & Assistant
Secretary
KMC Telecom Holdings, Inc.
1755 North Brown Road
Lawrenceville, Georgia 30043

Brad E. Mutschelknaus
Melissa S. Conway
Kelley Drye & Warren LLP
1200 19th Street, NW, Suite 500
Washington, DC 20036
(202) 955-0600

Its Attorneys

CENTURYTEL ACQUISITION LLC,
Transferee

By: _____
Stacey W. Goff
Senior Vice President, General Counsel
& Secretary
CenturyTel, Inc.
100 Century Park Drive
Monroe, Louisiana 72103

Richard R. Cameron
Manu Gayatrinath
Latham & Watkins LLP
555 Eleventh Street N.W., Suite 1000
Washington, D.C. 20004
(202) 637-2200

Its Attorneys

Dated: March 7, 2005

For the foregoing reasons, the applicants respectfully request that the Commission approve the proposed transfer of control through the sale of assets will serve the public interest, convenience and necessity. The Commission should therefore grant this application.

Respectfully Submitted,

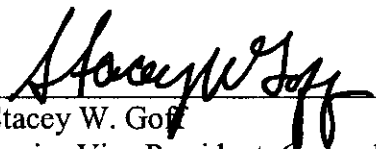
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Brad E. Mutschelknaus
Melissa S. Conway
Kelley Drye & Warren LLP
1200 19th Street, NW, Suite 500
Washington, DC 20036
(202) 955-0600

Its Attorneys

By:  _____
Stacey W. Goff
Senior Vice President, General Counsel
& Secretary
CenturyTel, Inc.
100 Century Park Drive
Monroe, Louisiana 72103

Richard R. Cameron
Manu Gayatrinath
Latham & Watkins LLP
555 Eleventh Street N.W., Suite 1000
Washington, D.C. 20004
(202) 637-2200

Its Attorneys

Dated: March 7, 2005

Original Markets

- 1 Ann Arbor
- 2 Baton Rouge
- 3 Chattanooga
- 4 Corpus Christi
- 5 Eden Prairie
- 6 Fort Wayne
- 7 Huntsville
- 8 Lansing
- 9 Long View
- 10 Madison
- 11 Mississippi Gulf Coast
- 12 Montgomery
- 13 Topeka
- 14 Akron
- 15 Dayton
- 16 Toledo

LIGHTCORE

A CenturyTel Company

REGIONAL NETWORK 11-10-04



KMC Markets - 16



CenturyTel LEC Properties

- Existing Lambda
- Empty Conduit
- Dark Fiber
- Lit Fiber

0 100 200
miles

